

VINTON PUBLIC POWER AUTHORITY  
A Component Unit of the Town of Vinton, Louisiana  
Annual Financial Report and Independent Auditors' Report  
Year Ended September 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 15 2013

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VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis

Within this section of the Vinton Public Power Authority's (Authority) annual financial report, the Authority's management is pleased to provide this narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2012. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$8,511,118 (net position), \$8,558,295 for 2011, for the fiscal year reported.
- Total revenues of \$3,080,227 exceeded total expenditures of \$3,127,404, which resulted in a current year deficit of \$47,177 compared to prior year surplus of \$1,048,154.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, of \$2,132,680 include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase of capital assets.
  - (2) Restricted for debt service of \$2,253,382.
  - (3) Unrestricted net position of \$4,125,056.
- Overall, the Authority continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the Authority's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

**Basic Financial Statements**

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long term portions of assets and liabilities separately. Total assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources is net position, and it may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position is reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

**Financial Analysis of the Authority as a Whole**

The Authority's net position at fiscal year-end is \$8,511,118. The following table provides a summary of the Authority's net position:

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 19,853,568	\$ 7,889,329
Capital assets	13,642,502	13,677,745
Other assets	-	693,501
Total assets	<u>\$ 33,496,070</u>	<u>\$ 22,260,575</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>
Liabilities:		
Current liabilities	\$ 13,432,444	\$ 1,282,280
Long-term liabilities	11,435,000	12,420,000
Total liabilities	<u>\$ 24,867,444</u>	<u>\$ 13,702,280</u>
Deferred inflows of resources	<u>\$ 117,508</u>	<u>\$ -</u>
Net position:		
Net investment in capital assets	\$ 2,132,680	\$ 3,451,246
Restricted	2,253,382	3,211,930
Unrestricted	4,125,056	1,895,119
Total net position	<u>\$ 8,511,118</u>	<u>\$ 8,558,295</u>

28%, (40% for 2011), of the Authority's net position is tied up in capital assets. The Authority uses these capital assets to provide services to its customer.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Authority's changes in net assets:

	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 2,268,993	\$ 2,658,574
Nonoperating Revenues	<u>811,234</u>	<u>1,125,155</u>
Total Revenues	3,080,227	3,783,729
Depreciation Expense	356,957	354,292
Other Operating Expenses	1,553,158	1,750,722
Nonoperating Expenses	<u>1,217,289</u>	<u>630,561</u>
Total Expenses	<u>3,127,404</u>	<u>2,735,575</u>
Change in Net Position	(47,177)	1,048,154
Beginning Net Position	<u>8,558,295</u>	<u>7,510,141</u>
Ending Net Position	<u>\$ 8,511,118</u>	<u>\$ 8,558,295</u>

**Capital Assets and Debt Administration**

**Capital Assets**

The Authority's investment in capital assets as of September 30, 2012, was \$13,642,502. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2012</u>	<u>2011</u>
Nondepreciable assets:		
Construction in progress	\$ -	\$ 464,350
Depreciable assets:		
Distribution system	17,088,233	16,302,169
Less accumulated depreciation	<u>3,445,731</u>	<u>3,088,774</u>
Book value-depreciable assets	<u>\$ 13,642,502</u>	<u>\$ 13,213,395</u>
Percentage depreciated	<u>20%</u>	<u>23%</u>
Book value-all assets	<u>\$ 13,642,502</u>	<u>\$ 13,677,745</u>



VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Long-Term Debt**

At the end of the fiscal year, the Authority had total debt obligations outstanding of \$24,225,000. During the year, the Authority retired \$845,000 of the outstanding debt balance and issued \$11,805,000 of additional debt. See Note C for additional information regarding long-term debt.

\$12,420,000 of debt was retired on October 1, 2012 from funds of the new refunding issue. As a result, the refunding resulted in a net present value savings of \$653,481.

**Economic Factors**

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Authority's office, Ms. Mary Vice, Clerk at (337) 589-7453.



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
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JULIA W. PORTUS, C.P.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BRANEFF, C.P.A.

INDEPENDENT AUDITORS' REPORT

March 15, 2013

Board of Directors  
Vinton Public Power Authority  
Vinton, Louisiana

We have audited the accompanying financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Vinton Public Power Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vinton Public Power Authority, as of September 30, 2012, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, on our consideration of the Vinton Public Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Board of Directors  
Vinton Public Power Authority  
March 15, 2013  
Page Two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Gragson, Casiday & Guillory*

VINTON PUBLIC POWER AUTHORITY

Statement of Net Position

September 30, 2012

	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash	\$ 4,024,777	\$ 4,080,647
Accounts receivable	254,414	259,486
Prepaid insurance	22,177	21,985
	<u>4,301,368</u>	<u>4,362,118</u>
Restricted assets		
Cash	15,552,200	3,527,211
Total current assets	<u>19,853,568</u>	<u>7,889,329</u>
Fixed assets, at cost, net of accumulated depreciation of \$3,445,731 for 2012	13,642,502	13,677,745
Bond costs, net of accumulated amortization	-	693,501
<b>TOTAL ASSETS</b>	<u><u>\$ 33,496,070</u></u>	<u><u>\$ 22,260,575</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 176,312	\$ 121,999
Payable from restricted assets		
Interest payable	466,132	315,281
Current maturities of long-term debt	12,790,000	845,000
Total current liabilities	<u>13,432,444</u>	<u>1,282,280</u>
Long-term debt, net of current maturities	11,435,000	12,420,000
<b>TOTAL LIABILITIES</b>	<u><u>\$ 24,867,444</u></u>	<u><u>\$ 13,702,280</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u><u>\$ 117,508</u></u>	<u><u>\$ -</u></u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,132,680	\$ 3,451,246
Net position - Restricted for debt service	2,253,382	3,211,930
Net position - Unrestricted	4,125,056	1,895,119
<b>TOTAL NET POSITION</b>	<u><u>\$ 8,511,118</u></u>	<u><u>\$ 8,558,295</u></u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in Net Position

Year Ended September 30, 2012

	2012	2011
<b>OPERATING REVENUES</b>		
Charges for services, less rebate of \$380,449	\$ 2,268,993	\$ 2,658,574
<b>OPERATING EXPENSES</b>		
Advertising	205	251
Amortization	-	64,020
Depreciation	356,957	354,292
Dues	2,641	3,624
Insurance	62,411	51,949
Miscellaneous	584	494
Power cost	1,176,168	1,260,523
Professional fees	228,851	227,026
Repairs and maintenance	42,964	106,780
Secretarial	27,000	26,350
Telephone	7,399	5,652
Travel	4,935	4,053
Total operating expenses	1,910,115	2,105,014
Operating Income	358,878	553,560
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	18,105	51,134
NISCO revenue	758,333	1,041,990
Intergovernmental - SRG&T	34,796	32,031
Interest expense	(763,667)	(630,561)
Bond issuance costs	(453,622)	-
Total nonoperating revenues (expenses)	(406,055)	494,594
Changes in Net Position	(47,177)	1,048,154
NET POSITION-BEGINNING	8,558,295	7,510,141
NET POSITION-ENDING	\$ 8,511,118	\$ 8,558,295

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2012

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,274,065	\$ 2,661,864
Cash payments to suppliers for goods and services	(1,348,186)	(1,691,918)
Net cash from operating activities	925,879	969,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds	11,805,000	-
Gain on refunding	117,508	-
Prior bond issuance costs, net	693,501	-
Payment of bond issuance costs	(453,622)	-
Acquisition of fixed assets	(321,714)	(467,749)
Payment of principal on bonds	(845,000)	(790,000)
Interest paid on bonds	(763,667)	(630,561)
Proceeds from NISCO and intergovernmental	793,129	1,074,021
Net cash from capital and related financing activities	11,025,135	(814,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	18,105	51,134
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,969,119	206,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,607,858	7,401,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 19,576,977	\$ 7,607,858
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 612,816	\$ 647,151

See accompanying notes

Continued

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows (Continued)

Year Ended September 30, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 358,878	\$ 553,560
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	-	64,020
Depreciation	356,957	354,292
(Increase) decrease in accounts receivable	5,072	3,290
(Increase) decrease in prepaid insurance	(192)	1,189
Increase (decrease) in accounts payable	54,313	10,185
Increase (decrease) in interest payable	150,851	(16,590)
Net cash flow from operating activities	<u>\$ 925,879</u>	<u>\$ 969,946</u>

See accompanying notes



## VINTON PUBLIC POWER AUTHORITY

### Notes to the Financial Statements

September 30, 2012

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 19 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1950, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1980. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting ex officio as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement, to which Vinton Public Power Authority has paid the Town \$180,000 in administrative fees for the year.

##### 1. Reporting Entity

The Authority is a component unit of the Town of Vinton, Louisiana, the financial reporting entity. The Town is financially accountable for the Authority because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the Town, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

##### 2. Basis of Presentation

The accompanying financial statements of the Vinton Public Power Authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

Continued

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The financial statements of the Authority are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

GASB 63 – “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” is adopted for the fiscal year ended September 30, 2012. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 – “Items Previously Reported as Assets and Liabilities” is adopted for the fiscal year ended September 30, 2012. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as net assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The operating revenues of the Authority come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and

Continued



# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

#### 3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2012, the Authority has \$19,580,830 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance, and \$19,080,830 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

#### 4. Accounts Receivable

Of the total accounts receivable of \$254,414, \$251,335 is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

#### 5. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$19,576,977 which represents unrestricted amounts of \$4,024,777 and restricted amounts of \$15,552,200.

#### 6. Bond Costs

Bonds in the amount of \$11,805,000 were issued during the 2012 fiscal year and the bond issuance costs for the new bonds of \$453,622 were expensed in accordance with GASB 65.

Continued

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 7. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the Authority's Board of Directors for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

#### 8. Net Position

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

#### 9. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

11. Subsequent Events

Management has evaluated subsequent events through March 15, 2013 the date the financial statements were available to be issued.

12. Deferred Inflows of Resources

Deferred inflows of resources consist of gain on refunding, net of amortization of \$0, in the amount of \$117,508 resulting from the issuance of the 2012 refunding revenue bonds.

NOTE B – FIXED ASSETS

A summary of changes in fixed assets for the year follows:

	Beginning of year	Net Additions (Deletions)	End of Year
Plant	\$ 16,302,169	\$ 786,064	\$ 17,088,233
Construction in progress	<u>464,350</u>	<u>(464,350)</u>	<u>-</u>
	16,766,519	<u>\$ 321,714</u>	17,088,233
Less accumulated depreciation	<u>3,088,774</u>		<u>3,445,731</u>
TOTALS	<u>\$ 13,677,745</u>		<u>\$ 13,642,502</u>

Depreciation expense was \$356,957 for the year ended September 30, 2012.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset, materially extend asset lives or exceed \$2,500 are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Continued



# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE B – FIXED ASSETS - CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant	50 years
Equipment	3-10 years

Major fixed assets additions for the year include a transformer rebuild at a substation.

### NOTE C – LONG-TERM DEBT

#### A. Debt Outstanding

The following is a summary of debt transactions of the Authority for the year ended September 30, 2012:

Bonds payable, September 30, 2011	\$ 13,265,000
Bonds paid	(845,000)
Bonds issued	<u>11,805,000</u>
Bonds payable, September 30, 2012	<u>\$ 24,225,000</u>

Debt payable at September 30, 2012 are comprised of the following individual issue:

\$18,290,000 Bonds dated July 1, 2002, due in annual installments of \$455,000-\$1,645,000 through October 1, 2021, interest at 3.0-5.0% \$ 12,420,000

\$11,805,000 Bonds dated May 1, 2012, due in annual installments of \$370,000-\$3,070,000 through October 1, 2021, interest at 1.0-4.5% 11,805,000

Less currently payable 12,790,000  
Total Long-Term Debt \$ 11,435,000

Refunding bonds were issued on May 1, 2012 for \$11,805,000. The original bonds in the amount of \$12,420,000 were paid off on October 1, 2012 with funds held in escrow at the end of the 2012 fiscal year. Total net present value savings of the refunding is \$653,481.

Continued

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2012

NOTE C – LONG-TERM DEBT - CONTINUED

B. Debt Services Requirements to Maturity

The annual requirements, including interest, to amortize all debts outstanding as of September 30, 2012 are as follows:

Year Ending September 30,	
2013	\$ 13,161,797
2014	1,426,100
2015	1,450,050
2016	1,478,050
2017	1,488,400
2018-2021	7,859,100

C. Section 6.11 Compliance

VPPA has complied for the year ended September 30, 2012 with the net revenue requirements of Section 6.11 of the loan agreement. Compliance with section 6.11 of the loan agreement allows VPPA to receive monies accumulated in the "Refund Fund."

With respect to section 6.11 of the loan agreement, net revenues available for debt service for the year ended September 30, 2012 (\$1,904,060) is in excess of the total debt service requirement (\$763,651) by at least 1.15 times, actual is 2.49 times.

NOTE D – COMPONENTS OF RESTRICTED NET POSITION

Restricted Assets – Cash at September 30, 2012 is detailed as follows:

Revenue Fund	\$ -
Debt Service Fund	538,613
Reserve Fund	1,261,649
Refund Fund	309,348
Operating Reserve Fund	42,164
Renewal & Replacement Fund	254,637
Non-Routine Maintenance Fund	300,161
Cost of Issuance Fund	12,942
Escrow Fund	<u>12,832,686</u>
Total Cash	<u>\$ 15,552,200</u>

Continued

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE D – COMPONENTS OF RESTRICTED NET POSITION - CONTINUED

Certain proceeds of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue fund" account is used to aggregate resources for power costs and net resources available for debt service. The "debt service fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the debt service fund account, up to a maximum amount of \$1,180,500. The "refund fund" account is used to accumulate excess funds in other restricted asset funds and is payable to the Authority once a year. The "operating reserve fund" account is used to accumulate funds for non-routine maintenance, up to a maximum amount of approximately \$42,000. The "renewal and replacement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements, up to a maximum of \$250,000. The "non-routine maintenance fund" account is used to accumulate funds for payment of extraordinary repairs and maintenance, with a \$50,000 contribution required each year. The "cost of issuance fund" account is used to pay the issuance costs of the 2012 bonds. The "escrow fund" account is used to pay off the 2002 bonds. This payoff occurred on October 1, 2012.

The amount of net position restricted for debt service is detailed as follows:

Restricted assets-cash	\$ 15,552,200
Less: Accrued interest, payable from restricted assets	466,132
Less: Escrow fund available to pay October 1, 2012	
debt service requirements	<u>12,832,686</u>
Net Position Restricted	<u>\$ 2,253,382</u>

### NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

Previously the Sam Rayburn Municipal Power Authority (SRMPA) provided all of the power requirement to VPPA for VPPA's retail load. VPPA, in turn, supplied all of the power requirements of the Town of Vinton, LA. The Town in turn sold the power to the end use customers. The SRMPA, VPPA, and the Town are all independent entities bound together through power supply and sales contracts and have been contractually bound in this manner since 1981. Recent developments made it attractive for VPPA to exit its long-standing contractual relationship with the SRMPA after securing its own financing and power supplies. VPPA will continue its relationship as the Town of Vinton, LA's sole power supplier.

VPPA and the SRMPA have reached mutually agreeable terms and conditions for such exit which will allow VPPA to fix its debt load and take full advantage of expected growth, insure that the rates the Town must charge will be competitive with or below those that would be charged had VPPA remained in the SRMPA, assuming like growth rates and eliminate

Continued

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2012

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS – CONTINUED

dependence on the SRMPA board. In addition, VPPA simultaneously transferred its interest in the Nelson Unit No. 6 project to SRMPA, which was originally obtained from SRMPA on December 18, 1992.

Under a Power Sales Contract, dated as of July 1, 2002, VPPA will agree to sell, and the Town will agree to buy on a "take or pay" basis, all power and energy which the Town shall require for its electric system. VPPA however, shall not be required to supply and the Town shall not be required to purchase power and energy in excess of the maximum power available to VPPA pursuant to the Exit Agreement. Under the Power Sales Contract, the Town agrees to take its all requirements power supply from VPPA and to pay for such supply as an operating expense.

The Town covenants in its Power Sales Contract with VPPA that the Town will establish and collect rates and charges for the electric services sufficient with other revenues and reserves to meet all of the obligations of the Town, including all amounts payable to VPPA under the Power Sales Contract, all operation and maintenance expenses, and debt service on any related revenue bonds.

VPPA accepts an assignment from SRMPA of certain rights and benefits in, and assume a payment obligation under, the Requirements Power Supply Agreement ("RPSA"), dated November 1, 1998, as amended by Amendment No. 1, dated November 1, 1998, between Entergy Power Marketing Corp. ("EPMC", now merged into Entergy-Kock Trading LP or "EKT"), and SRMPA as assigned without novation by EPMC to EWO Marketing LP ("EWOM"). VPPA will thereafter purchase all its requirements power supply, net of certain hydroelectric power resources, under the RPSA. The term of the RPSA expired September 30, 2021. SRMPA will likewise also assign to VPPA certain rights and benefits with respect to the R.D. Willis Hydro Project. VPPA will retain an entitlement to the output of the Sam Rayburn Dam Project.

The \$18,290,000 bond proceeds were used by VPPA to make payment to SRMPA (i) to discharge VPPA from all obligations under its power sales agreement with SRMPA, (ii) to purchase two substations for electric power transmissions, and (iii) to obtain by assignment from SRMPA VPPA's share of SRMPA's rights under the Supply and Transmissions Agreements. Additionally, the proceeds were used to provide funds to fund debt service funds, to pay the costs of issuance of the Bonds and certain other expenses of VPPA. Under the terms of the Participation Exit Agreement between SRMPA and VPPA, VPPA agreed to pay to SRMPA, from the proceeds of the Loan from the issuer, \$15,778,548.

NOTE F – CONCENTRATIONS

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer.

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2012

### NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

Pursuant to an agreement between Entergy Gulf States, Inc. (EGSI) and Vinton Public Power Authority (VPPA) for electric capacity and energy services, EGSI will coordinate and deliver energy and VPPA will purchase energy sufficient to fulfill those contracts assigned to VPPA by EGSI. This arrangement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2013. This arrangement was approved by the Louisiana Public Service Commission (LPSC) on February 16, 2001. The arrangement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA, or the LPSC. The Board of Directors of VPPA approved this arrangement on March 13, 2001. The terms of this engagement specify that VPPA will receive the lower of one-half of a fixed amount in a monthly payment, plus one-half of any rate refunds computed annually in arrears. The total net payments for the year ended September 30, 2012 were \$1,041,990.

In an agreement for the assignment of retail load between EGSI and VPPA, EGSI assigned the rights to serve certain retail load to VPPA. VPPA agreed to take assignment from EGSI of the purchase and delivery of the electrical output from the NISCO generation facilities for application in the provision of electrical service to the assigned load. This agreement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2013. This agreement was approved by the LPSC on February 16, 2001. The agreement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA or the LPSC. The Board of Directors of VPPA approved this agreement on March 13, 2001.



VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in  
Net Position - Budget and Actual

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,419,000	\$ 2,268,993	\$ (150,007)
<b>OPERATING EXPENSES</b>			
Advertising	500	205	295
Amortization	64,020	-	64,020
Depreciation	360,000	356,957	3,043
Dues	3,600	2,641	959
Insurance	55,000	62,411	(7,411)
Miscellaneous	300	584	(284)
Power cost	1,296,204	1,176,168	120,036
Professional fees	223,750	228,851	(5,101)
Repairs and maintenance	144,000	42,964	101,036
Secretarial	26,400	27,000	(600)
Telephone	5,700	7,399	(1,699)
Travel	13,200	4,935	8,265
<b>TOTAL OPERATING EXPENSES</b>	<u>2,192,674</u>	<u>1,910,115</u>	<u>282,559</u>
<b>OPERATING INCOME</b>	<u>226,326</u>	<u>358,878</u>	<u>132,552</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	48,858	18,105	(30,753)
NISCO revenue	1,183,324	758,333	(424,991)
Intergovernmental - In	32,000	34,796	2,796
Interest expense	(594,071)	(763,667)	(169,596)
Bond issuance costs	-	(453,622)	(453,622)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>670,111</u>	<u>(406,055)</u>	<u>(1,076,166)</u>
<b>CHANGES IN NET POSITION</b>	896,437	(47,177)	(943,614)
<b>NET POSITION-BEGINNING</b>	<u>8,558,295</u>	<u>8,558,295</u>	<u>-</u>
<b>NET POSITION-ENDING</b>	<u>\$ 9,454,732</u>	<u>\$ 8,511,118</u>	<u>\$ (943,614)</u>



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
JULIA W. PORTUS, C.P.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BRANEFF, C.P.A.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 15, 2013

Board of Directors  
Vinton Public Power Authority  
Vinton, Louisiana

We have audited the financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Vinton Public Power Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Vinton Public Power Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vinton Public Power Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vinton Public Power Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Vinton Public Power Authority  
March 15, 2013  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vinton Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

Vinton Public Power Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Vinton Public Power Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

*Drayson, Casiday & Guillory*

VINTON PUBLIC POWER AUTHORITY  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

1. Summary of Auditors' Results:

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? ☐ yes ☒ no
- Control deficiency(s) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

**Finding 2012-1:**

**Budgetary Authority and Control**

Condition: Inadequate budgeting procedures resulted in revenues being under budget by 5% or more and expenditures being over budget by 5% or more.

Criteria: Inadequate budgeting procedures.

Effect: Violations of Louisiana Revised Statute 39:1310.

Cause: Administrative lack of oversight. The budget was not amended during the year.

Recommendation: The Authority should review actual revenues and expenditures on an interim basis and amend the budget if necessary.

Corrective Action Planned: The Authority agrees with the finding and will implement the recommendations.

Continued

VINTON PUBLIC POWER AUTHORITY

Schedule of Findings and Questioned Costs - Continued

Year Ended September 30, 2012

3. Findings and Questioned Costs for Federal Awards  
N/A
4. Prior Year Findings  
None